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# Revelation of Expectations in Latin America

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**REVELA** is a free Web-based monthly service on inflation and growth expectations in Latin America. REVELA's Web site offers an up-to-date report and a database with historical information. This service compiles data from the expectations surveys conducted and reported by eight Central Banks in Latin American with inflation-targeting regimes. REVELA does not represent official projections by the IDB or any other official institution.

## A. Highlights

According to the March surveys conducted by Central Banks in the region, regional growth expectations for 2015 have decreased while inflation expectations have increased once again. Compared to last month, growth expectations fell in four countries, they remained stable in three and only increased in one.

The 2015 simple average growth expectation for the region in 2015 has declined from 3.1% to 3.0% and the GDP weighted mean growth expectation fell from 1.5% to

1.2% in the last month. Growth expectations decreased, in Brazil (from -0.4% to -0.9%), Mexico (from 3.1% to 3.0%), Peru (from 4.0% to 3.6%) and Uruguay (from 3.1% to 3.0%). Similarly, growth expectations in March remained stable in Colombia at 4.3%, Guatemala 3.8% and Paraguay 4.5%. Finally, they increased in Chile (from 2.7% to 2.8%).

Both the simple average and the GDP weighted average inflation expectations for 2015 increased over the course of the last month, the former increased from 4.5% to 4.7% and the latter from 5.3% to 5.7%. Indeed, inflation expectations increased in Brazil (from 7.3% to 8.1%), Chile (from 2.9% to 3.2%), Colombia (from 3.4% to 3.7%), Peru (from 2.5% to 2.8%) and Uruguay (from 8.0% to 8.1%). However, inflation expectations decreased in Guatemala (from 3.9% to 3.8%) and remained stable in Mexico (at 3.1%) and Paraguay (at 4.5%).

Table 1. Growth and Inflation Expectations for 2015

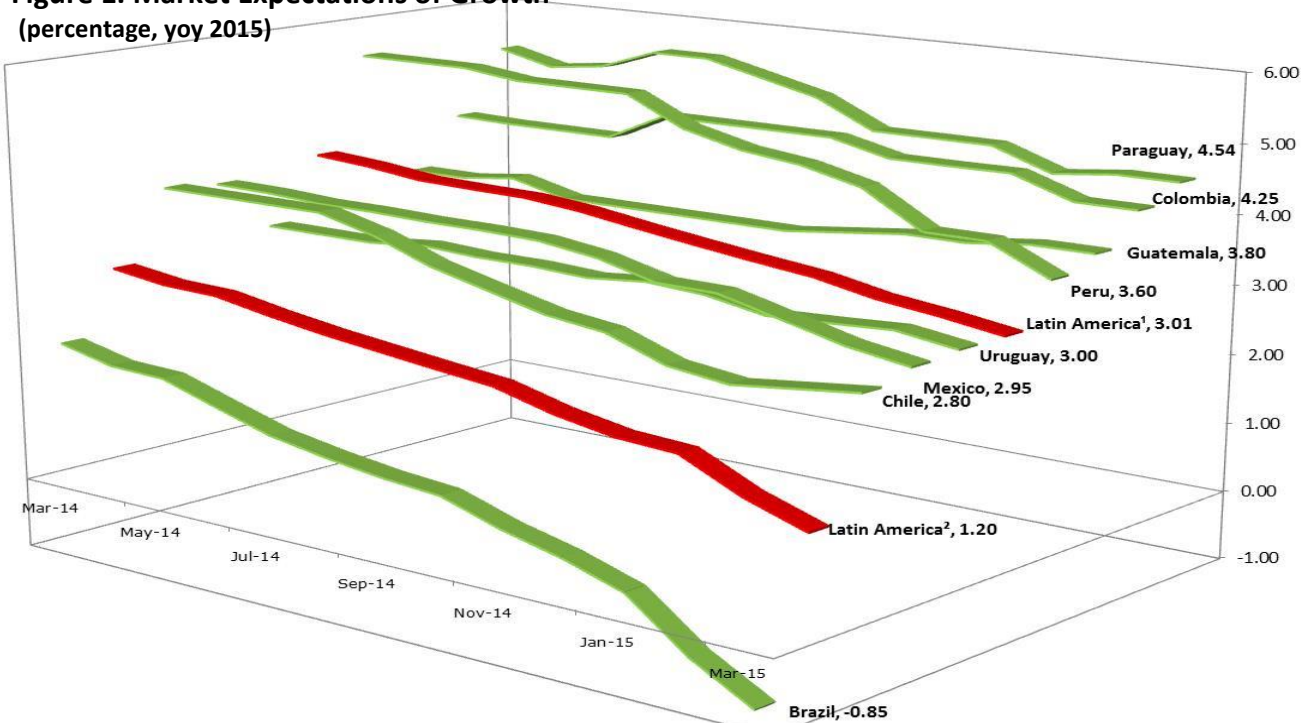
Country	Growth expectation (percentage expected for 2015)		Inflation expectation (percentage expected for 2015)	
	as of March 2015	Feb-Mar change	as of March 2015	Feb-Mar change
Brazil	-0.9	↓ -0.5	8.1	↑ 0.8
Chile	2.8	↑ 0.1	3.2	↑ 0.3
Colombia	4.3	⇒ 0.0	3.7	↑ 0.3
Guatemala	3.8	⇒ 0.0	3.8	↓ -0.1
Mexico	3.0	↓ -0.1	3.1	⇒ 0.0
Paraguay	4.5	⇒ 0.0	4.5	⇒ 0.0
Peru	3.6	↓ -0.4	2.8	↑ 0.3
Uruguay	3.0	↓ -0.1	8.1	↑ 0.1
Eight country average	3.0	↓ -0.1	4.7	↑ 0.2

Source: REVELA, IDB 2015. Data available for download [here](#).

## B. Growth

As illustrated in Figure 1, growth expectations for the region in 2015 continued their downward path in March. On a simple average basis (Latin America 1) average growth expectations have declined by 0.1%, from 3.1% to 3.0% in the last month. Similarly, considering the GDP weighted average (Latin America 2) they decreased by 0.3%, from 1.5% in February to 1.2% last month. Once again, most of the regional decline observed in the last month can be explained by the fall in growth expectations in Brazil accompanied this time by a similar decrease in Peru. Growth expectations declined in March by 0.5% in Brazil and by 0.4% in Peru. Smaller declines (0.1%) were also observed in Mexico and Uruguay. Conversely, growth expectations for 2015 have slightly increased (by 0.1%) for the third consecutive month in Chile. Finally, growth expectations were maintained constant in Colombia (at 4.3%), Guatemala (at 3.8%) and Paraguay (at 4.5%). In the last six months, growth expectations for 2015 have declined sharply across the region, 0.7% on a simple average basis and 1.2% if you consider the GDP weighted average. The largest cumulated declines were observed in Brazil (1.9%), Peru (1.4%) and Mexico (0.9%). At the same time, less significant falls were seen in Chile (0.5%), Colombia (0.5%), Paraguay (0.6%) and Uruguay (0.2%). Guatemala is the only country covered by the REVELA database that experienced an increase (0.3%) on growth expectations for 2015 over the last six months.

**Figure 1. Market Expectations of Growth**  
(percentage, yoy 2015)



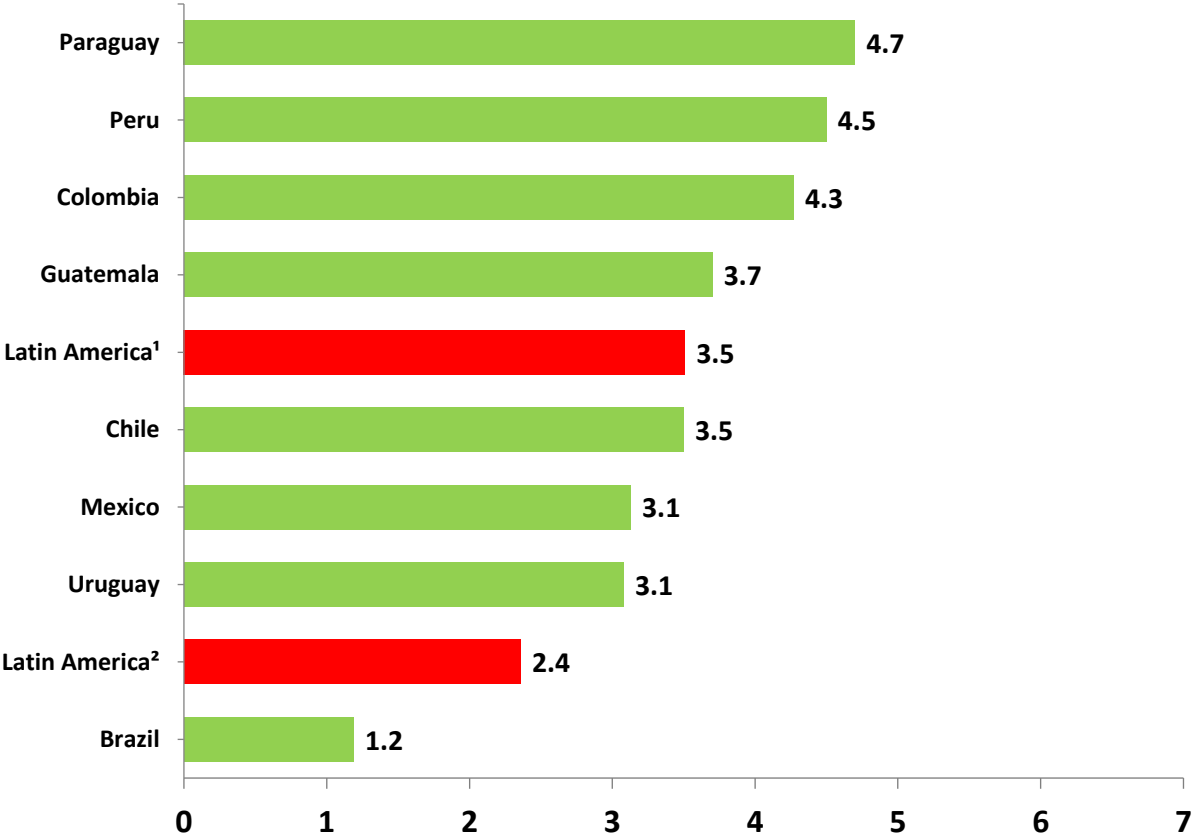
Source: REVELA, IDB 2015. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

In March 2015, both the simple mean and the GDP weighted mean growth expectations for the region in 2016 increased their pace of decline. Both fell by 0.2%, the former from 3.7% to 3.5%, while the latter from 2.6% to 2.4%. Nevertheless, in contrast to growth expectations for 2015 no country covered by the *REVELA* database expects a contraction in 2016. Growth expectations range from 1.2% in Brazil to 4.7% in Paraguay. Last month, the largest decline (0.5%) was observed in the second largest economy of the region, Mexico, where growth expectations for 2016 shifted from 3.6% to 3.1%. At the same time, more modest declines were observed in Brazil (from 1.4% to 1.2%), Guatemala (from 3.9% to 3.7%) and Paraguay (from 4.9% to 4.7%). Finally, in the other four countries covered by the database growth expectation were maintained constant. This was the case in Chile (at 2.5%), Colombia (at 4.3%), Peru (at 4.5%) and Uruguay (at 3.1%).

**Figure 2. Growth Market Expectations**  
(percentage, yoy 2016)



Source: REVELA, IDB 2015. Data available for download [here](#).

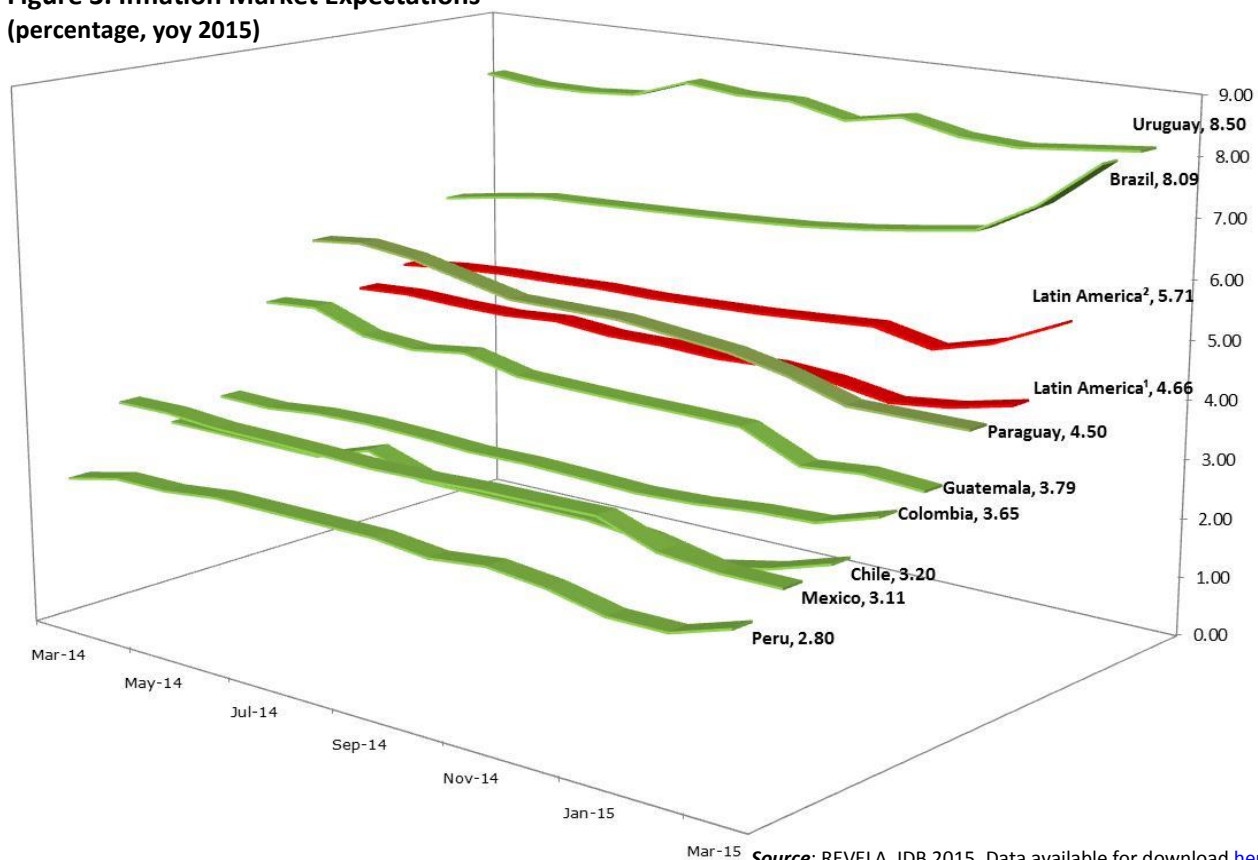
<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

## C. Inflation

Both the simple average and the GDP weighted average inflation expectation for 2015 for the region increased in March, even more than what they did in February. The former went from 4.4% to 4.7% and the latter from 5.3% to 5.7%. Interestingly, if we compare the current values with the expectations six months ago, we find that the simple average inflation expectations for 2015 has declined by 0.1% but the GDP weighted average has increased by 0.7%. Once again, these disparities can be explained by the evolution of inflation expectations in Brazil. In February, inflation expectations for 2015 increased by 0.8% in Brazil, from 7.3% to 8.1%. Furthermore, over the last six months they have risen by 1.8%. Nevertheless, in contrast with last month report, a significant increase in inflation expectations for 2015 has started in some of the other countries covered by REVELA. They increased by 0.3% in Chile, Colombia and Peru and by 0.1% in Uruguay. Conversely, they decreased by 0.1% in Guatemala and they remained stable in Mexico (at 3.1%) and Paraguay (at 4.5%). Finally, over the last six months expectations have decreased in Guatemala (by 0.5%), Mexico (by 0.4%), in Paraguay (by 0.7%) and in Uruguay (by 0.1%). At the same time, inflation expectations for 2015 increased in Chile (by 0.2%) and Colombia (0.4%) and remained stable in Peru.

**Figure 3. Inflation Market Expectations (percentage, yoy 2015)**



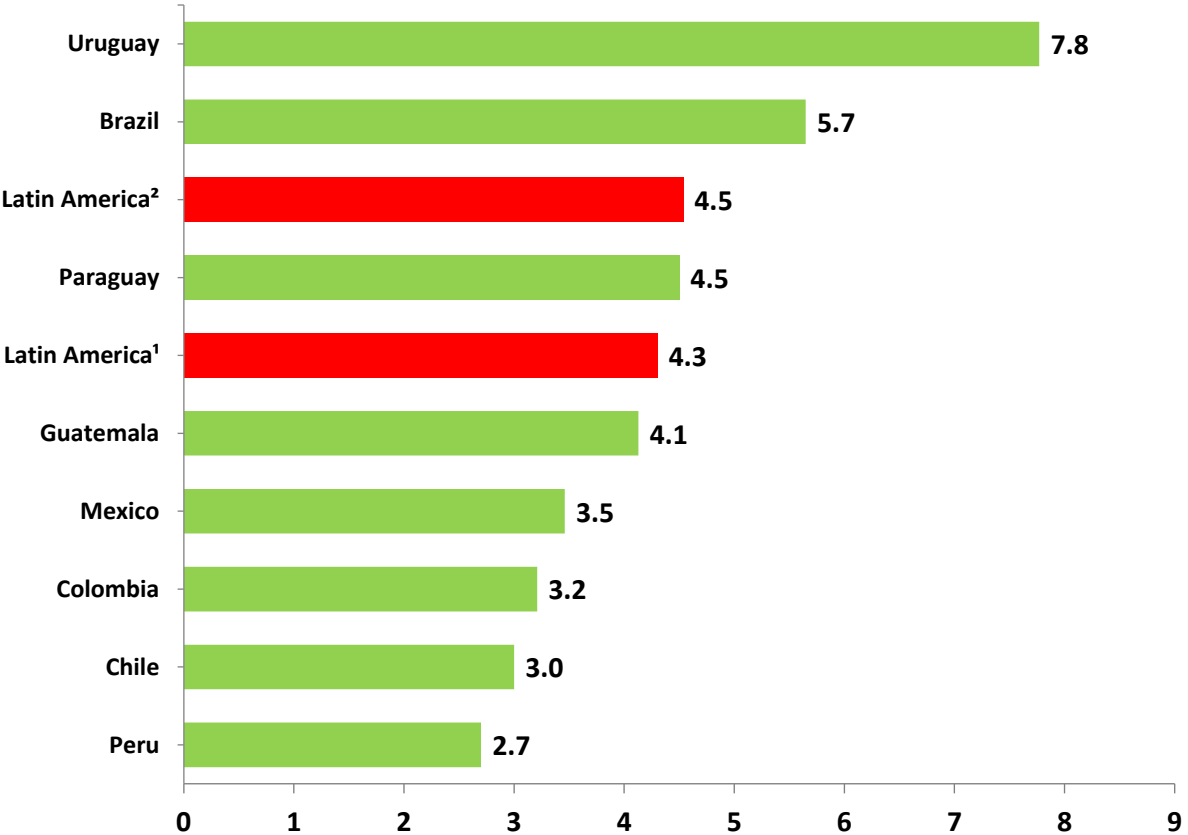
Source: REVELA, IDB 2015. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

Inflation expectations for the region in 2016 remained constant at 4.3% on a simple average and at 4.5% on a GDP weighted basis respectively. As a matter of fact, both aggregates have remained stable since January 2015. However, inflation expectations for 2016 have evolved in different directions within the region. Indeed, expectations for 2016 increased by 0.1% in Brazil (from 5.6% to 5.7%), Guatemala (from 4.0% to 4.1%) and by 0.2% in Peru (from 2.5% to 2.7%). Additionally, they decreased by 0.1% in Uruguay, from 7.9% to 7.8% and they have remained constant in Chile (at 3.0%), Colombia (at 3.2%), Mexico (at 3.5%) and Paraguay (at 4.5%). These changes have shrunk the range of inflation expectations for 2016, placing them now between 2.7% in Peru and 7.8% in Uruguay.

**Figure 4. Inflation Market Expectations**  
(percentage, yoy 2016)



Source: REVELA, IDB 2015. Data available for download [here](#).

<sup>1</sup> Refers to the simple average of the eight inflation targeting countries.

<sup>2</sup> Refers to the GDP weighted average of the eight inflation targeting countries.

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